



# Gibraltar Transparency Report 2021

January 2022

---

[kpmg.com/gi](https://kpmg.com/gi)



# Navigating this report



## Opening statement

Pages 3 to 5

An update from Stephanie Beavis, Managing Director.



## Transparency Report requirements mapped

Pages 6 to 8

An explanation of how we have mapped our required disclosure to specific responses and cross references to our UK Transparency Report.



## Quality and risk management

Pages 9 to 13

This section gives an update on our Audit Quality Plan and methods to monitor quality. It also sets out the principal risks and uncertainties facing our firm, and the controls and processes in place to manage these risks. It includes a statement by the Board on the effectiveness of the internal controls system.



## Financial information

Pages 14 to 15

Financial information in respect of Audit and directly related services.



## Appendices

Pages 16 to 17

UK Transparency Report.

Section 1

# Opening statement



# Building trust

At KPMG, we're continuing to build a stronger, more sustainable business supporting Gibraltar's economy.

We're transforming the way we deliver audits, to develop a leading audit practice that has a relentless focus on quality, is responding to the changing needs of stakeholders and creates rewarding careers.

The crucial role that audits play in the Gibraltar and global economy has not changed. The trust they create underpins our profession and creates confidence in our markets.

## Audit quality is our number one priority

Audit quality is our number one priority, and we are committed to delivering consistently high-quality audits.

Our audit practice reflects the journey we've been on over recent years – to create a sustainable standalone business, built on a culture of high-challenge and high-support, known for innovation and technology, and underpinned by high audit quality as standard.

Since 2018 – we have implemented a three-year Audit Quality Transformation Programme, supported by record investment. This included strengthening our governance, implementing more robust controls, investing in leading technology, initiating a cultural change programme and refreshing our approach to training. Almost every aspect of our business was transformed.

We've made good progress against this Programme, but recognise there is still more to do.

Other areas of focus include the continued roll out of our new audit platform, KPMG Clara, and embedding our culture programme.

To build the capacity to deliver these changes, the profession needs to be an attractive one. Given the likely pressure on resources, it is essential that audit, and finance more widely, remains a compelling and rewarding career choice for talented people.

Attracting them and, importantly, retaining them once they have qualified, will be critical to audit quality. This is more crucial than ever as we go through significant change and so businesses, the regulator, investors and other key players in the ecosystem all have an important role to play.

## Transforming the way we deliver audits

We use technology to improve audit quality, create greater consistency in the performance of our UK and Gibraltar audits and strengthen monitoring of engagement milestones. We believe that high audit quality is best achieved when the power of smart technology is

matched with inquiring minds and professional scepticism and our tools are designed for exactly that.

We have embedded the best new tools, processes and technologies that simplify and streamline our audit, offer a cutting-edge user experience, and further enhance the high quality, consistency and efficiency of our audit delivery.

Our new cloud-based audit platform – KPMG Clara workflow – is a step-change in how we are innovating, digitalising and transforming the audit experience. Nearly half of our audit hours are currently transitioning onto the workflow, with all audits moving onto it in the year ahead.

Our data analytics are already used widely across our UK and Gibraltar audits, processing over 900 billion rows of data in the last year. Underpinning this, our new Delivery Solutions Group, brings specialist teams together to support audit teams in delivering high-quality audits.



KPMG in Gibraltar benefits from the significant UK and global investment in technology, innovation and learning tools. We are leveraging this to further strengthen our practice and build Audit Quality. //

**Steph Beavis**  
Managing Director  
KPMG Limited



# Building trust

(continued)

## Creating rewarding careers for our people

We're committed to ensuring that Audit continues to be an attractive and outstanding place to build a career. There is more variety than ever before – whether that is supporting audit quality or data and analytics – and we want to ensure that our audit practice is a place for every talented auditor, regardless of their background or identity.

Continuing to build an inclusive culture where everybody can thrive is a key focus, whether it be through our Black Lives Action Plan, Social Mobility action plan or the wellbeing support we give our people.

We've expanded our recruitment more than ever before, with a better mix of graduates, apprentices and offshore roles.

Having the right culture in place is fundamental if we are to deliver high quality, every time. We have a comprehensive programme to strengthen our 'high challenge, high support' culture – one where all colleagues feel they are in an open and inclusive environment, where they are confident to give and receive constructive challenge, and where they have the support they need to do high-quality work.

Audit at KPMG Gibraltar has a bright future. We're extremely proud of the efforts of our auditors in such challenging circumstances in the past year, and the role they have played supporting the entities we audit and the communities and society we are all part of.

*SBeavis*

**Steph Beavis**  
Managing Director  
KPMG Limited



Section 2

# Transparency Report requirements mapped



# KPMG Limited

## ■ KPMG Limited has operated in Gibraltar since 2008 and became a subsidiary of KPMG LLP in 2018.

Transparency Report disclosures are driven by the EU Audit Regulation Article 13.2, the requirements and commentary are set out in the table below. KPMG Limited works closely with its parent KPMG LLP and utilises many common systems and processes. As a result, much of the required information for the Transparency Report is contained within the UK Transparency Report and we have appended this and cross referenced to this in the requirements table below where appropriate.

### Provision of Article 13.2

### Comment

a) a description of the legal structure and ownership of the audit firm.

KPMG operates in Gibraltar through KPMG LLP's wholly owned subsidiary, KPMG Limited, a company registered in Gibraltar. KPMG Limited is approved as a statutory auditor by the Gibraltar Financial Services Commission under the Gibraltar Financial Services Act 2019. KPMG Limited has a wholly owned subsidiary KPMG Advisory Limited through which tax and advisory services are provided.

where the statutory auditor or the audit firm is a member of a network:

(i) a description of the network and the legal and structural arrangements in the network;

As noted above KPMG Limited is a wholly owned subsidiary of KPMG LLP. Appendix 4 of the UK Transparency Report explains how the UK is affiliated to the KPMG International network.

a) a description of the legal structure and ownership of the audit firm.

KPMG operates in Gibraltar through KPMG LLP's wholly owned subsidiary, KPMG Limited, a company registered in Gibraltar. KPMG Limited is approved as a statutory auditor by the Gibraltar Financial Services Commission under the Gibraltar Financial Services Act 2019.

(ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;

See Appendix 4 of the UK Transparency Report.

(iii) the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business;

See Appendix 4 of the UK Transparency Report.

(iv) the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements;

See Appendix 4 of the UK Transparency Report.

c) a description of the governance structure of the audit firm;

KPMG Limited is governed by a board of directors which currently consists of two locally based Directors and three UK Partners/Senior Executives. The Board meets at least quarterly and is responsible for overseeing the legal and regulatory requirements as well as its local operations and future strategy.

# KPMG Limited

(continued)

Provision of Article 13.2	Comment
d) a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;	See Section 3 – Our quality control and risk management systems.
e) an indication of when the last quality assurance review referred to in Article 26 was carried out;	The most recent quality assurance review by the GFSC was carried out in Q3 2020 and the outcome is noted on page 10.
f) a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year;	<ul style="list-style-type: none"> <li>— Acromas Insurance Company Limited.</li> <li>— Advantage Insurance Company Limited.</li> <li>— Lighthouse General Insurance Company Limited.</li> <li>— Lighthouse Life Assurance Company Limited.</li> </ul>
g) a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;	The statements contained in Appendix 5 of the UK Transparency Report also apply to KPMG Limited.
h) a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 23 of Directive 2006/43/EC;	The statements contained in Appendix 5 of the UK Transparency Report also apply to KPMG Limited.
i) information concerning the basis for the partners' remuneration in audit firms;	See page 35 of the UK Transparency Report.
j) a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7) 24;	See 'Maintaining an objective, independent and ethical mindset' section in the UK Transparency Report. KPMG Limited follows the same policies outlined.
k) where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm divided into the following categories: <ul style="list-style-type: none"> <li>(i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;</li> <li>(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities;</li> <li>(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and</li> <li>(iv) revenues from non-audit services to other entities.</li> </ul>	See Section 4 – financial information.

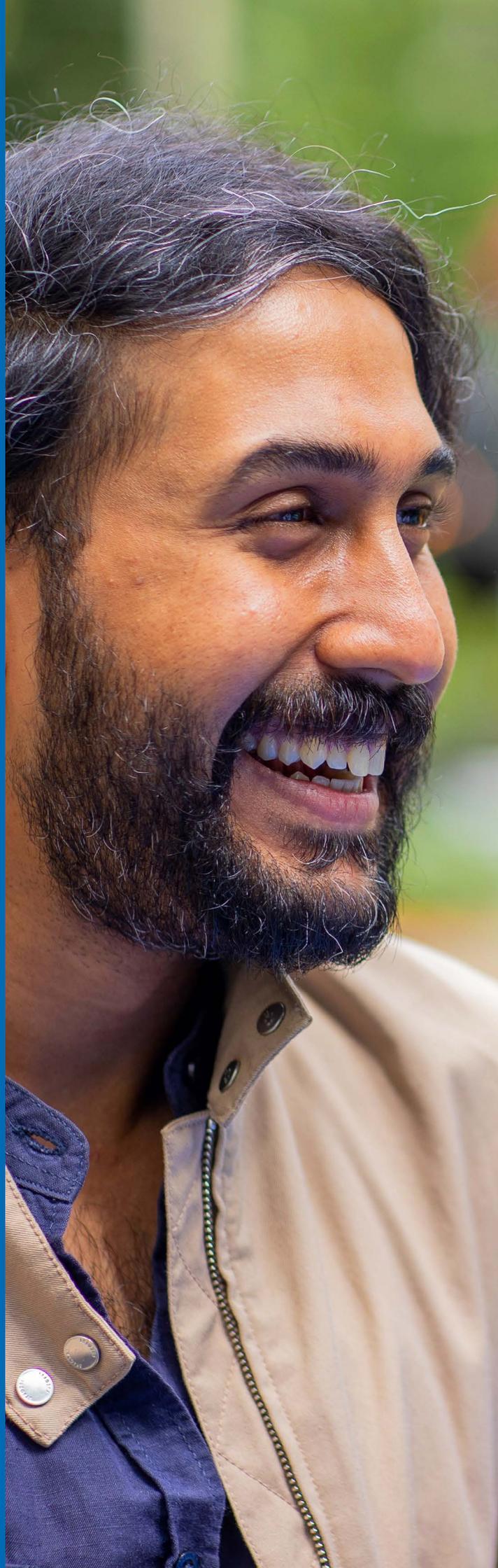
Signed by the statutory auditor or the audit firm



Section 3

# Quality and risk management

**We have many policies and procedures in place to manage risk and we share best practice with other member firms in the KPMG network.**



# Quality control and risk management

There are numerous policies and procedures in place to help the UK and Gibraltar firms, and members of the KPMG International, comply with professional standards. Responsibility for complying with these policies, and managing risk, lies with all employees, there are controls and processes in place to help them. These are outlined on page 57 of the UK Transparency Report. Our Audit Quality Framework is set out on page 82.

In terms of fee dependency, during the year ended 30 September 2021 we provided services to a group which accounted for 28.7% of total fees received by KPMG Limited and services to a subsidiary of a UK group which represented 10.9% of total fees. In all cases a UK based EQCR was involved in the audits.

See page 41 of the UK Transparency Report on our Audit Quality Transformation journey, and page 45 on how we measure our progress against our audit quality indicators. For KPMG Limited our specific external and internal monitoring is set out below:

## External monitoring

In Q3 2020, the Gibraltar firm's audit practice was the subject of a periodic Quality Assurance Review as required under Article 26 of the EU Audit Directive by the Gibraltar Financial Services Commission. Three audit files were reviewed, one of them being an EU Public Interest Entity, and "the quality of the audit work reviewed was of an appropriate standard" with only "minor findings in respect of the detailed audit work".

## Internal monitoring

There are three components to our internal monitoring:

- Quality Performance Review (QPR);
- Risk Compliance Programme (RCP); and
- Global Compliance Review (GCR).

## Quality Performance Review (QPR)

The QPR programme is the cornerstone of KPMG's efforts to monitor engagement quality. All engagement leaders have historically been subject to selection for review at least once in a three year cycle. Going forward engagement leaders will be subject to selection for review at least once in a four year cycle and these reviews will be supplemented by risk based selections. In 2021 no Gibraltar registered engagement leaders were selected under the cyclical review (2020: two). The observations from reviews are received by the Board with a root cause analysis for findings performed.

In addition, and as agreed in discussions with the Gibraltar Financial Services Commission at our triennial review in 2020, all engagement leaders have at least one engagement supported by the UK firm's second line of defence team. We share our findings from the QPR Programme (UK and Gibraltar combined) in writing, through internal training tools and in periodic partner, manager and team meetings. The themes from second line of defence reviews are also collated and shared with appropriate training delivered.

## Risk Compliance Review (RCP)

RCP is our annual self assessment programme that monitors, assesses and documents firm wide compliance with KPMG International's quality and risk management policies and applicable legal and regulatory requirements, including ISQC 1. We categorise levels of compliance as green, yellow or red. Green indicates that the firm is substantially compliant with KPMG's policies and procedures; yellow indicates that the firm is substantially compliant with KPMG policies and procedures and, although there may be several instances of non compliance with policies or procedures, these do not indicate serious deficiencies within the firm as a whole; and red indicates that there are serious deficiencies. The firm's RCP evaluation also considers the results and status of action plans arising from other reviews assessing risk, quality and compliance, including QPRs and GCRs. As Gibraltar engagements and personnel have been integrated into the UK systems, they are included within the scope of testing performed and could be selected by the review team within a particular data set being used for sampling. In 2021 the scoping of the RCP was considered in relation to Gibraltar and specific engagement samples were selected. The self assessment for KPMG UK is an overall compliance of yellow (2020: yellow). The rating for the specific engagement testing for Gibraltar was green.

## Global Compliance Review (GCR)

The GCR is a triennial review focused on significant governance, risk management (including an assessment of the robustness of the UK firm's RCP), independence and financial processes. Representatives of KPMG International who are independent of the UK firm, undertake the review. The UK firm was subject to GCR inspection during 2021 where a number of opportunities for improvement were identified, including areas which were generally identified by the UK firm's Audit Quality and Banking Audit Quality Improvement plans, RCP and other compliance and quality control processes. Whilst the review is UK focused the Gibraltar firm uses many of the same systems and processes.

# Quality control and risk management

(continued)

## Internal controls statement

The Board of KPMG Limited is responsible for the firm's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, loss, or non-compliance with relevant regulatory or legislative requirements. The key elements of the Board's review of the risk management systems and internal controls during the period under review have been:

- consideration of the design and operation of the quality control systems as described in this report;
- consideration of the findings from the various compliance programs operated by our firms (including the KPMG International review programmes as described in the report and findings from oversight provided by the UK member firm of KPMG); and
- findings from regulatory inspections and subsequent follow-up and/or remedial actions.

## Conclusions

The Board of KPMG Limited confirms that internal reviews of the effectiveness of internal controls and of independence practices within our firm have been undertaken. Our compliance programmes identify deficiencies and opportunities for improvement and, in such instances, remediation activities are agreed with subsequent follow up to assess the extent to which the matters identified have been addressed satisfactorily. However, matters arising from these activities are not considered either individually or in the aggregate to undermine the overall system of internal control in place.

# Quality control and risk management

(continued)

## Risk management

The identification, evaluation, management and monitoring of the most significant risks that face our firm and could threaten the achievement of our strategic objectives are the responsibility of our Board. The principal risks and uncertainties facing our firm are as follows:

Risk	Risk description	Mitigation
Major or multiple audit failures	Issuance of an incorrect audit opinion and/or poor quality auditing resulting in shareholder loss, litigation, regulatory action or lost clients through the resulting reputational damage.	<ul style="list-style-type: none"> <li>— A tone at the top which emphasises quality, ethics and integrity.</li> <li>— Board oversight of both internal and external audit quality reviews, recommendations and actions.</li> <li>— Robust audit quality controls including adoption of all KPMG UK audit policies and procedures.</li> <li>— Use of KPMG UK's second line of defence function to support in the audits of high risk and certain selected other entities as appropriate.</li> <li>— Rigorous client and engagement acceptance procedures and risk policies.</li> <li>— Involvement of UK Engagement Quality Control reviewers on all high risk clients and public interest entities.</li> <li>— Involvement of actuaries on all insurance clients.</li> <li>— Global methodologies and mandatory training.</li> </ul>
Major litigation or regulatory investigation	Actual or suspected failure in any of our services potentially resulting in loss for our clients and shareholders, harming our reputation, opening us to increased scrutiny, the prospect of major claims and legal costs or significant remediation costs.	<ul style="list-style-type: none"> <li>— A tone at the top which emphasises quality, ethics and integrity.</li> <li>— General engagement quality and risk management controls, including robust contracts put in place with clients and recipients of our reports.</li> <li>— Rigorous and robust inter-firm contracting protocols when working with other KPMG International member firms.</li> <li>— Rigorous client and engagement acceptance procedures.</li> </ul>
Data loss	Failure to protect client confidential or personal data, as a result of either cyber attack or through failures in our internal procedures leading to loss for our clients, potential damage to our reputation, loss of key clients, potential litigation and/or regulatory fines.	<ul style="list-style-type: none"> <li>— Integration with KPMG UK IT security policies and processes.</li> <li>— Ongoing training and awareness campaigns.</li> <li>— Our Code of Conduct.</li> <li>— GDPR compliance.</li> </ul>
Financial risk	Failure to achieve growth or budget aspirations thereby losing market share and competitor positioning. Poor cost control and ineffective cash management (including significant bad debt losses, failure to control costs such as staff, premises and IT). Reliance on a small number of large clients.	<ul style="list-style-type: none"> <li>— Board role in budget and performance oversight.</li> <li>— Quarterly financial analysis at board level.</li> <li>— Financial support from KPMG UK.</li> </ul>

# Quality control and risk management

(continued)

Risk	Risk description	Mitigation
Delivering inappropriate services	Delivery of services which are either illegal, unethical, contravene professional standards or are otherwise perceived by investors, regulators or other stakeholders as inappropriate could damage our or our clients' reputations and potentially result in regulatory sanctions, legal action or damage our relationship with key regulators.	<ul style="list-style-type: none"> <li>— Our internal quality control system, adopted from the UK and overseen by the Board, including (i) Rigorous client and engagement acceptance procedures, (ii) Engagement quality controls (including the involvement of an Engagement Quality Control review), (iii) Robust conflicts checking processes, (iv) Policies and procedures around auditor independence, (v) Robust compliance programmes and (vi) Our Code of Conduct and Values.</li> <li>— Whistle-blowing processes.</li> </ul>
Failure of another network firm	Our ability to service our clients or our reputation in the marketplace is severely impacted by the failure of another KPMG member firm.	<ul style="list-style-type: none"> <li>— Global processes and procedures including (i) Risk policies and procedures and (ii) Audit methodology and (iii) Quality Review Programmes.</li> </ul>
Working with the wrong clients	Working with the wrong clients damages our reputation in the marketplace/with the regulators or exposes the firm to litigation.	<ul style="list-style-type: none"> <li>— Robust client acceptance processes, for example with relation to high risk industries such as online gaming and cryptocurrencies.</li> <li>— Speak-Up hotline.</li> </ul>
Cultural behaviour	Actual behaviour and actions of individuals not aligned with target culture leading to disengagement and demotivation. Behaviours of Gibraltar people not aligned to KPMG Values / KPMG Way.	<ul style="list-style-type: none"> <li>— A tone at the top which emphasises quality, ethics and integrity - Global People Survey results and actions.</li> <li>— Robust people management process.</li> <li>— Code of Conduct and Values training.</li> <li>— Ethics Champion.</li> <li>— Follow up staff survey and creation of Values Charter.</li> </ul>
Failure to manage resources	Capability gaps, an inability to retain and recruit appropriate resource and poorly motivated partners and staff adversely impacts the firm's ability to generate revenue and service clients. A loss of key individuals bringing about short term client service and wider retention problems.	<ul style="list-style-type: none"> <li>— Recruitment plan and investment in recruitment.</li> <li>— Succession planning (including through more Gibraltar resident responsible individuals) and talent development.</li> <li>— Process to identify key skills and capabilities required.</li> <li>— People management processes and remuneration benchmarking.</li> <li>— Close working with UK firm.</li> </ul>
Failure to achieve strategic plan	Unanticipated national and global market developments (including the impact of Brexit) result in the firm being unprepared for shifts in the marketplace and/or changes in the needs and priorities of clients causing loss of market position.	<ul style="list-style-type: none"> <li>— Diversification of client base and core services.</li> <li>— Ongoing investment in core capabilities.</li> <li>— Ongoing assessment of impact of Brexit and other changes in the market place on Gibraltar and the firm's client base (for example pressures on Gibraltar from the OECD or EU).</li> </ul>
Global pandemic or cyber/terrorist attack or fire on premises	Unanticipated pandemic affecting staff availability or cyber/terrorist attack or fire meaning IT and premises becomes unavailable.	<ul style="list-style-type: none"> <li>— Key staff coverage from UK possible.</li> <li>— Business continuity plans.</li> <li>— COVID-19 has proven staff can work effectively remotely.</li> </ul>

Section 4

# Financial information

**Financial information in respect of  
audit and directly related services.**



# Financial information

## Relative importance of statutory audit work

2021	KPMG Limited £k	KPMG Advisory Limited, £k	Total £k
<b>Revenue</b>			
Audit and directly related services	2,066	-	2,066
Other assurance work	103	8	111
	<b>2,169</b>	<b>8</b>	<b>2,177</b>
Tax and other non-audit services	-	276	276
	<b>2,169</b>	<b>284</b>	<b>2,453</b>

Total KPMG Gibraltar revenues can be further analysed on the following basis:

2021	KPMG Limited £k	KPMG Advisory Limited, £k	Total £k
<b>Revenue</b>			
Audit and directly related services for audited entities	2,066	-	2,066
Non-audit services for audited entities	103	42	145
Non-audit services for non-audit clients	-	242	242
	<b>2,169</b>	<b>284</b>	<b>2,453</b>
Number of audited entities where fees exceed 10% of total	2 <sup>1</sup>	n/a	1 <sup>2</sup>

1 This relates to the entities which have fees of 28.7% and 19.3% of total KPMG Limited fees.

2 Incorporating the fees for KPMG Advisory Limited means only one entity exceeds 10% of fees and this entity accounts for 25.4% of the combined total fees.

Audit and directly related services reflects revenue of £310k in respect of Gibraltar-registered EU public interest entities and their subsidiaries and £1,756k audit and related services provided to other entities.

The financial information for KPMG Advisory Limited, KPMG Limited's wholly owned subsidiary, has been included for information and separately identified.

All revenue figures are stated gross of expenses and staff borrowing costs.



Section 5

# Appendices



# UK Transparency Report

The Gibraltar Transparency Report for KPMG Limited refers to the UK Transparency Report in a number of areas. The UK Transparency Report can be accessed at <https://home.kpmg/uk/en/home/about/our-impact/our-firm/our-report-hub.html>



[kpmg.com/gi](https://kpmg.com/gi)

© 2022, KPMG Limited, a Gibraltar limited liability company and a subsidiary of KPMG LLP, which is a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Designed by CREATE | CRT134271 | January 2022